

Report on the Results of Rába Plc. in Q1-Q3 of 2014

Unaudited, consolidated quarterly report
according to the International Financial Reporting Standards (IFRS)

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Sector:	Machine industry
Period:	Q1-Q3 2014.
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SUMMARY

- In Q1-Q3 of 2014, the Company at group level registered sales of HUF 33.9 billion, which is a decrease of 2.4 per cent compared to the HUF 34.7 billion of Q1-Q3 of 2013. The total sales are the overall result of contrary changes in domestic and export sales: the Rába Group increased its revenues on the domestic market significantly by 58.6 per cent, but the export sales fell by 21.5 per cent since the 2013 base period. The driver behind the domestic sales was the vehicle sales commenced at the Vehicle Business Unit and the strong performance of the passenger vehicle market involving the Components Business Unit in H1. The performance of export markets was negatively impacted by the considerable decline in the Russian rouble exchange rate in the case of the CIS countries, and by the low activity of the global market of high performance agricultural equipment, as well as the falling sales trends observed on the European heavy vehicle market. In Q3 the demand on most key markets either stagnated or decreased. These factors had a considerable effect primarily on the performance of the Axle Business Unit, which is the largest exporter. On the positive side, the armrest business as part of the multi-faceted operation defined in the strategy, began performing well within the Components Business Unit, whereas in the Vehicle Business Unit growth of the metal structures segments began in line with the trends. Consequently, both divisions grew on their European export markets by two digits, which was significantly greater than the market trends. The group level sales figure was the result of the decline of 31.0 per cent in the sales of the Axle Business Unit suffering from the shrinkage of market sizes and 4.6% and 188.5% sales growth in the Components and Vehicle Business Units respectively. The growth over the base period was also favourably affected by the USD and EUR exchange rates, as the USD exchange rates were 1.2 percentage points and the EUR exchange rates were 4.1 percentage points higher than in the base period.
- The gross margin declined by 6.0 percentage points during Q1-Q3 of 2014 compared to the base period. The gross margin deteriorated because of the fall in the costs of the Axle Business Unit, the decline in the proportion of products with a higher added value and the conscious and flexible adjustment as well as strict cost control of the business divisions to the volatile sales.
- As a result of lower sales revenues and gross margin, the gross income in Q1-Q3 of 2014 was close to HUF 6 billion, specifically HUF 5,966 million following a 27.3 per cent drop. Owing to the stringent cost control measures, the Company managed to cut the administrative and sales costs by 4.0 percentage points compared to the figures of Q1-Q3 of 2013, which drop was greater than the 2.4 percentage point fall in sales revenues.
- Other revenues and expenditures contained just the usual items, amounting to HUF 193 million in profits during the review period, against the profit of HUF 141 million during the same period of the previous year. The difference stems from lower impairments and provisions accounted and lower support granted in the reporting period.
- The operating profit in Q1-Q3 of 2014 was HUF 452 million, which is 81.2 per cent below the unusually strong base period of 2013. Due to the gradually falling demand on most key markets, the seasonal weakness, which generally occurs in Q3 was especially true in 2014.

That have an impact on the profit of all divisions even despite the fact that the Company managed to impressively reduce its fixed costs at group level.

- Although the EBITDA reflecting the cash generating efficiency is 5.4 percentage points down, the generated EBITDA was greater than HUF 2.1 billion even in the significantly worse market environment with the exact amount of HUF 2,126 million in Q1-Q3 of 2014.
- The financial loss in Q1-Q3 of 2014 amounted to HUF 442 million, against the profit of HUF 44 million generated during the same period of 2013. The difference was caused primarily by the HUF 524 million profit generated through the sale during the base period of the business stake held in Fehrer Automotive-Rába Kft, as well as the higher exchange rate loss resulting from the increased closing exchange rate.
- The result during the current year was a profit of HUF 254 million in Q1-Q3 of 2014, in contrast to the profit of HUF 1,968 million in the similar period of 2013. In the reporting period the net result of the cash-flow hedge transactions was a profit of HUF 19 million, thus the result as per the total aggregate income is a loss of HUF 234 million.
- The Company is still very successful in cash generation. The net loan portfolio declined to HUF 7.7 billion, considerably lower than the HUF 9.8 billion of a year ago and than the HUF 8.9 billion at the end of 2013. The considerable decline is due to the profitable operation and the decline in working capital. It was offset by the revaluation of loans amounting to HUF 296 million, resulting from the changes in foreign exchange rates involving, however, no cash movements.

thousand HUF	2013. Q1-Q3	2014. Q1-Q3	Change	2013. Q3	2014. Q3	Change
Sales revenue	34 724 271	33 903 568	-2,4%	10 999 921	7 032	-36,1%
Gross profit	8 243 109	5 995 904	-27,3%	2 367 604	1 099	-53,6%
<i>Gross margin</i>	23,7%	17,7%	-6%p	21,5%	15,6%	-5,9%p
EBITDA	4 058 279	2 125 617	-47,6%	951 330	99	-89,5%
<i>EBITDA level</i>	11,7%	6,3%	-5,4%p	8,7%	1,4%	-7,2%p
Operating profit	2 404 956	451 836	-81,2%	397 910	-457	-214,9%
Net financial profit	44 392	-442 390	-1096,6%	-273 578	25	109,2%
Profit of current year	1 967 927	-253 738	-112,9%	49 439	-497	-1107,1%
Total aggregate income	1 962 126	-234 425	-111,9%	107 922	-497	-561,4%

'Rába has been focusing on business development this year in a bid to counteract the volatile nature of the markets. On the group level our company still boasts an EBITDA margin that exceeds the average of the industry, and due to our excellent cash flow management we are able to keep on decreasing the net loan of Rába. Furthermore we have successfully started the market diversification of the Vehicle and Components Units.' – emphasized István Pintér, chairman and CEO of Rába Group.

EXTERNAL ENVIRONMENT

- Market demand was very volatile and of varying activity in the various geographical and product segments. The heavy vehicle sector of the North American market was characterised by a 18 per cent increase in demand, during the first eight months of 2014, compared to the same period of last year. The growth was among other factors due to the increased demand for forwarding, together with the growing activity in the construction industry. The European heavy vehicle market increased by a significantly lower degree of 3 per cent over the base period of Q1-Q3 of 2013. However, in Q2 and Q3 the European market activities reflected falling trends and in that period the demand was lower than in the base period. There was globally weak demand for agricultural axles in Q1-Q3 of 2014, consequently agricultural sales dropped by more than 50 per cent according to the year-on-year figures. The weak rouble exchange rate could still be felt in the Russian demand for heavy vehicles and buses. Accordingly, market activity declined substantially in these market segments, com-

pared to both the base period of 2013. The European market of passenger vehicles underwent a significant increase in the demand, amounting to more than 6 per cent in Q1-Q3 of 2014.

- During Q1-Q3 of 2014, with minor volatility, the price level of steel was 3.7 per cent lower than during the base period, which had an impact on the cost side of the operation. During Q3 there was again a price decline among material prices, the decline amounted to 1,2 per cent.
- Energy prices in Q1-Q3 of 2014 were at the level of the same period one year earlier, the increase in average energy prices during Q3 was 2.4 per cent.
- In Q1-Q3 2014 the average exchange rate of the USD and EUR was higher than one year ago; the USD exchange rate grew by 1.2 per cent and the average EUR exchange rate went up by 4.1 per cent. During Q3 the average exchange rate of the USD was 4.7 per cent lower and the average EUR exchange rate was 4.8 per cent higher than those during the base period.¹

	2013 Q1-Q3	2014 Q1-Q3	Change	2013 Q3	2014 Q3	Change
HUFEUR-average	296.7	308.8	4.1%	297.9	312.2	4.8%
HUFEUR – end term	298.5	310.4	4.0%	298.5	310.4	4.0%
HUFUSD – average	225.3	227.9	1.2%	225.0	235.5	4.7%
HUFUSD – end term	221.1	245.1	10.9%	221.1	245.1	10.9%
Changes in raw material prices*	112%	108%	-3,7%	108%	107%	-1.2%
Changes in energy prices**	191%	192%	0.7%	196%	201%	2.4%

*Rába indices – own calculation – base: 2007 Q1: average values for the period

**Rába indices – own calculation – base 2004 Dec average values for the period

Rába Axle Ltd.

The sales revenue of Rába Axle Ltd. in Q1-Q3 of 2014 amounted to HUF 16.9 billion compared to HUF 24.4 billion achieved during the same period of 2013. This corresponds to a decrease of 31.0%.

On the **American market**, the sales revenue in the reporting period was USD 23.2 million, against USD 44,4 million in the base period of Q1-Q3 of 2013. This means a decrease of 47.7%.

On the **EU market** Rába Axle Ltd's sales figures in HUF terms decreased by 10.6%, amounting to HUF 9.7 billion, compared to HUF 10.8 billion during the base period.

European exports amounted to EUR 23.5 million during the first nine months of 2014 compared to EUR 27.0 million during the same period of 2013. This is a decline of 13.0%.

Domestic sales before consolidation amounted to HUF 2,409 million which represents a decline of 13.9 per cent compared to the HUF 2,797 billion of the base period.

On the **CIS and East-European markets** export sales revenues achieved by Rába Axle Ltd. decreased by 67.0%, from EUR 10.6 million during the base period of 2013 to EUR 3.9 million in Q1-Q3 of 2014.

On the **other markets** the sales revenue during the first nine months of 2014 amounted to EUR 2.3 million, against EUR 1.5 million of the previous year. The increase in HUF terms is 53.3 per cent is due to the expansion of the customer portfolio in the context of the company's strategy.

The operating result of the company in Q1-Q3 of 2014 was a profit of HUF 530 million, compared to HUF 2,219 million during the same period of 2013.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 1,601 million compared to HUF 3,286 million registered a year earlier.

¹ The average exchange rates were calculated based on the official FX exchange rates of the NBH.
Source: <http://www.mnb.hu/arfolyam-lekerdezes>

million HUF	2013. Q1-Q3	2014. Q1-Q3	Change	2013. Q3	2014. Q3	Change
America	10 008	5 299	-47,1%	2 759	818	-70,4%
EU - export	8 004	7 246	-9,5%	2 216	1 755	-20,8%
EU - domestic	2 797	2 409	-13,9%	801	604	-24,6%
CIS	3 154	1 197	-62,0%	900	348	-61,3%
Other	446	701	57,2%	251	266	6,0%
Total sales revenue	24 409	16 851	-31,0%	6 928	3 792	-45,3%
EBITDA	3 286	1 601	-51,3%	574	111	-80,7%
Operating profit	2 219	530	-76,1%	216	-241	-211,6%

Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 9.7 billion in Q1-Q3 of 2014, which is an increase of 4.6% compared to the sales of HUF 9.3 billion of a year earlier.

Rába Automotive Components Ltd. generates most of its sales on the European market.

European exports amounted to EUR 13.5 million during the first nine months of 2014, against EUR 10.2 million during the base period. This corresponds to an increase of 32.3% in foreign exchange terms.

Domestic sales before consolidation amounted to HUF 5.5 billion during the reporting period of 2014, which is a decrease of 11.4% compared to the sales revenue of HUF 6.2 billion during Q1-Q3 of 2013.

The company generated a profit of HUF 189 million at operating level during the reporting period compared to a profit of HUF 265 million during Q1-Q3 of 2013.

On the level of EBITDA, the profit of the Components Business Unit decreased to HUF 491 million during the period, from HUF 537 million of the previous year.

million HUF	2013. Q1-Q3	2014. Q1-Q3	Change	2013. Q3	2014. Q3	Change
America	0	2		0	0	
EU - export	3 036	4 172	37.4%	1 059	1 261	19.1%
EU - domestic	6 249	5 538	-11.4%	2 461	1 409	-42.7%
Total sales revenue	9 285	9 712	4.6%	3 520	2 670	-24.1%
EBITDA	537	491	-8.6%	191	28	-85.3%
Operating profit	265	189	-28.7%	99	-70	-170.7%

Rába Vehicle Ltd

The sales revenue of Rába Vehicle Ltd. in Q1-Q3 of 2014 exceeded the figure of the base period by 188.5 per cent and increased from HUF 2,868 million to HUF 8,273 million.

On the **EU market** Rába Vehicle Ltd's sales figures in Q1-Q3 of 2014 equalled the total sales revenue realised.

European exports were 15.0 per cent higher than the level of the base period, thus increasing from EUR 6.0 million to EUR 6.9 million.

Domestic sales before consolidation amounted to HUF 6,159 million in Q1-Q3 of 2014, compared to the HUF 1,097 million during the base period. The outstanding revenue increase is a tribute to the business development projects announced during recent years.

The operating result was a loss of HUF 93 million during the reporting period, compared to the loss of HUF 165 million during the base period last year.

On the level of EBITDA, in Q1-Q3 of 2014 the Company registered HUF 63 million profit compared to the loss of HUF 2 million during in Q1-Q3 of 2013.

million HUF	2013. Q1-Q3	2014. Q1-Q3	Change	2013. Q3	2014. Q3	Change
EU - export	1 771	2 114	19.4%	521	606	16.3%
EU - domestic	1 097	6 159	461.4%	617	224	-63.7%
Total sales revenue	2 868	8 273	188.5%	1 139	830	-27.1%
EBITDA	-2	63	3250.0%	23	-34	-247.8%
Operating profit	-165	-93	43.6%	-28	-94	235.7%

The Rába Group

The consolidated sales revenue of the Rába Group in Q1-Q3 of 2014 amounted to HUF 33.9 billion, which is an increase of 2.4% compared to the figure of HUF 34.7 billion reported for Q1-Q3 of 2013.

The operating profit of the Group during the first nine months of 2014 amounted to HUF 452 million, compared to HUF 2,405 million during the same period of 2013.

During the reporting period the financial result was a loss of HUF 442 million, which includes, among others, a net interest payment of HUF 121 million, as well as an exchange rate loss of HUF 310 million.

Based on the above, the Rába Group generated a net profit of HUF 254 million in Q1-Q3 of 2014, compared to a profit of HUF 1,968 million during the same period of 2013.

On the level of EBITDA, the Group registered profits of HUF 2,126 million in Q1-Q3 of 2014, against last year's figure of HUF 4,058 million.

The Rába Group – other data and events pertaining to the business activity

Sales revenue by business division

Sales revenues (million HUF)	Axle	Components	Vehicle	Rába Group consolidated
2013 Q1	8,248	2,913	900	11,434
2013 Q2	9,232	2,851	830	12,290
2013 Q3	6,928	3,520	1,139	11,000
2013 Q4	6,901	3,227	3,030	12,761
2014 Q1	7,040	3,723	1,452	11,837
2014 Q2	6,020	3,317	5,990	15,034
2014 Q3	3,792	2,672	830	7,033

2014. Breakdown of the sales revenues for Q1-Q3

m HUF	America	EU			CIS	Other	Total
		total	export	domestic			
Axle	5 299	9 655	7 246	2 409	1 197	701	16 851
Components	2	9 710	4 172	5 538	0	0	9 712
Vehicle	0	8 273	2 114	6 159	0	0	8 273
Consolidated	5 301	26 705	13 535	13 169	1 197	701	33 904

Operating profit of group companies

	Operating profit						
	2013.				2014.		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Axle	753	1,250	216	300	403	368	-241
Components	84	82	99	30	106	153	-70
Vehicle	-97	-40	-28	542	-39	40	-94
Other	10	-35	110	-14	-26	-96	-52
Total	750	1,257	397	858	444	465	-457

PK2. Companies involved in the consolidation

Company	Share/Issue capital in HUF thousand	Ownership ratio (%)	Voting ratio ¹	Classifica- tion ²
Rába Axle Ltd.	9,762,800	100.00	100.00	S
Rába Automotive Components Ltd.	300,000	100.00	100.00	S
Rába Vehicle Ltd.	835,100	100.00	100.00	S

¹Voting right securing participation in the decision-making at the general meeting of the company subject to consolidation.

²Subsidiary (S); Jointly controlled (J); Affiliated (A)

PK. 4. CONSOLIDATED PROFIT AND LOSS ACCOUNT ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1,000	X	1,000,000	

* Indicate with an X.

Description of item	2013. Q1-Q3	2014. Q1-Q3	Index	2013. Q3	2014. Q3	Index
Domestic sales revenues	8,303,558	13,169,166	158.6%	3,292,463	1,977,300	60.1%
Export sales revenues	26,420,713	20,734,402	78.5%	7,707,458	5,055,435	65.6%
Net sales revenues	34,724,271	33,903,568	97.6%	10,999,921	7,032,735	63.9%
Direct cost of sales	26,481,162	27,907,664	105.4%	8,632,317	5,933,681	68.7%
Gross profit	8,243,109	5,995,904	72.7%	2,367,604	1,099,054	46.4%
Cost of sales	603,474	531,531	88.1%	198,549	157,382	79.3%
General and administration expenses	5,376,060	5,205,882	96.8%	1,754,678	1,573,903	89.7%
Other revenues	632,328	510,618	80.8%	206,722	251,651	121.7%
Other expenditures	490,947	317,273	64.6%	223,189	76,561	34.3%
Other items related to business activities	-5,838,153	-5,544,068	95.0%	-1,969,694	-1,556,195	79.0%
Earnings before interest payment and taxation (EBIT)	2,404,956	451,836	18.8%	397,910	-457,141	-114.9%
Financial revenues	1,738,993	796,464	45.8%	207,346	166,667	80.4%
Financial expenditures	1,694,601	1,238,854	73.1%	480,924	141,476	29.4%
Net financial profit/loss	44,392	-442,390	-1096.6%	-273,578	25,191	109.2%
Dividend of affiliated companies	0	0				
PROFIT BEFORE TAXATION	2,449,348	9,446	0.4%	124,332	-431,950	-347.4%
Profit tax	481,421	263,184	54.7%	74,893	65,960	88.1%
PROFIT AFTER TAXATION	1,967,927	-253,738	-12.9%	49,439	-497,910	-1007.1%
Other aggregate income						
Profit (loss) from share-based payments						
Profit from cash-flow hedge transaction	-6,906	22,992	432.9%	69,622	0	
Deferred tax of cash-flow hedge transaction	-1,105	3,679	432.9%	11,139	0	
Other aggregate income	-5,801	19,313	432.9%	58,483	0	
Total aggregate income	1,962,126	-234,425	-11.9%	107,922	-497,910	-461.4%

1. EARNED REVENUES

During Q1-Q3 of 2014, Rába achieved HUF 33,904 million in sales revenue, compared to HUF 34,724 million during the same period of 2013, which is a decline of 2.4%. 61.2 per cent of the revenues came from export, the rest came from domestic sales.

2. COSTS AND OTHER REVENUES, EXPENDITURES**2.1. Direct costs**

During Q1-Q3 of 2014, the direct cost level of Rába was 82.3 per cent, compared to 76.3% of the base period. The reason for the change is that the sale of products with a higher cost level increased. The amount of direct costs was HUF 27,908 million (in Q1-Q3 of 2013: HUF 26,481 million).

Gross Profit

The gross profit changed from HUF 8,243 million to HUF 5,996 million, (HUF -2,247 million), which is due to the decline in sales revenue by HUF 821 million and to the increase by 1,427

million in direct expenses.

2.2. Cost of sales

The cost of sales decreased by 11.9 per cent and amounted to HUF 532 million during Q1-Q3 of 2014, compared to HUF 603 million during Q1-Q3 of 2013. 35 per cent of the cost of sale is the shipping cost in foreign exchange.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (Q1-Q3 of 2014: HUF 2,162 million) and other general expenses (Q1-Q3 of 2014: HUF 3,029 million) under general overhead and administrative expenses (Q1-Q3 of 2014: HUF 5,206 million, Q1-Q3 of 2013: HUF 5,376 million), and adjusts them with the net value of the non-capitalised, according to international regulations, costs of technical development, and by restating certain bank charges to financial expenditures, as well as by the share-based expenditures in capital instruments and cash.

2.4. Other revenues

Other revenues amounted to HUF 511 million during Q1-Q3 of 2014. This amount was HUF 122 million lower than that of the base period. The major cause for the decline is that in Q1-Q3 of 2013 the Company sold some of its idle property and accounted a larger amount of grants, while during the current period these items are negligible compared to the base period. During the current period the company released provisions for guarantee liabilities, lay-offs and expected costs.

2.5. Other expenditures

The amount of other expenditures during Q1-Q3 of 2014 was HUF 317 million, which is HUF 174 million lower than the amount during the base period. The decline is due to the fact that during the base period the subsidiaries of the company provided funding that can be written off against corporate income tax, and major provisioning, as well as tangible asset and inventory write-offs took place.

3. OPERATING PROFIT

The operating profit of Rába during Q1-Q3 of 2014 was HUF 452 million (in Q1-Q3 of 2013: HUF 2,405 million). The decline in gross profit (HUF -2,247 million) was mitigated by the combined change in sales and general overhead costs (HUF -242 million) and was improved by the change in the balance of other revenues and expenditures (HUF +52 million). Profitability changed from 6.9% during the base period to 1.3%. The profitability of operating profit + depreciation was 6.3 per cent, against 11.7 per cent during the base period.

4. FINANCIAL REVENUES AND EXPENDITURES

During Q1-Q3 of 2014, the net financial result was a loss of HUF 442 million, compared to a profit HUF 44 million during the base period.

The net result of interest incomes and expenses was HUF -121 million during Q1-Q3 of 2014, against HUF -184 million during the base period. The net exchange rate difference of FX items was a loss of HUF 310 million during Q1-Q3 of 2014, and HUF -288 million in Q1-Q3 of 2013. During the base period, financial revenues contained exchange rate gains of HUF 524 million resulting from the sale of shareholdings.

According to the risk management strategy of the Rába Group in order to offset the adverse effect on the result of the Company of the strengthening of the HUF, part of the financing needs of the operation of the enterprise is met in FX (FX loans are used) and thus these are viewed as hedge transactions suitable for maintaining the value of FX revenues, to the extent of the expected exposure. The exchange rate difference of these cash-flow hedge transactions compared to 1 October 2011, the date when these cash-flow transactions were classified as hedge transactions, was a profit of HUF 23 million during Q1-Q3 of 2014 whereas in Q1-Q3 of 2013 it was a loss of HUF 7 million, accounted as other aggregate income. These FX loans seen as hedge transactions were repaid during Q1 of 2014, thus the hedge transaction no longer exists.

Financial revenues and expenditures consisted of the following principal items:

	Q1-Q3 of 2013	Q1-Q3 of 2014
Revenue from dividends	10 156	3 408
Exchange rate gains of participation sold	523 531	0
Interest income	17 932	1 109
Gains on share draw down	0	11 048
Exchange rate gains	1 184 552	779 143
Other financial revenues	2 822	1 756
Financial revenues	1 738 993	796 464
Interest payable	201 545	122 459
Exchange rate loss	1 472 892	1 089 434
Other financial expenditures	20 164	26 961
Financial expenditures	1 694 601	1 238 854

5. EARNINGS DURING THE YEAR

The earnings before taxation amounted to HUF 9 million during Q1-Q3 of 2014, which, because of the factors outlined in sections 1-4, is HUF 2,440 million less than the figure for Q1-Q3 of 2013. The profitability ratio represents a 0.03 per cent return on sales on the basis of profit before taxation, compared to 7.05 per cent during the base period.

At group level the tax liability amounted to HUF 263 million, of this corporate tax liability represented HUF 13 million, the trade tax liability is HUF 196 million, the deferred tax liability for the current period is HUF 58 million, whereas the deferred tax liability accounted in the equity is HUF 4 million.

6. OTHER AGGREGATE INCOME

During Q1-Q3 of 2014, the net amount of the cash-flow hedge transaction is HUF 19 million, which is accounted under other aggregate income and which also reflects the effect of the corporate income tax (in Q1-Q3 of 2013: HUF -6 million).

7. IFRS-HAS DIFFERENCE

In the case of Rába, the differences between the profit and loss accounts prepared according to the Hungarian Accounting Standards (HAS) and the International Accounting Standards (IFRS) are predominantly due to the following factors:

- accounting under IFRS as costs of technical development in part and of foundation and re-organisation expenses in full, capitalised according to HAS;
- accounting of the share options made available to the managers within the Share Option Programme;
- the reclassification into profit tax of the business tax accounted under HAS as other expenditures;
- accounting under IFRS among indirect costs of the FX shipping costs reducing the sales revenues under the Hungarian accounting rules;
- any rebate accounted as other expenditure according to the HAS requirements must be accounted as an item reducing the sales revenues according to the IFRS requirements;
- restatement of certain bank charges accounted as indirect expenditure under the Hungarian Accounting Regulations into financial expenditure;
- accounting of cash-flow hedge transaction (according to IAS 39.88) in other aggregate income.

PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1 000	X	1 000 000	

* Indicate with X.

Item	31.12.2013.	30.09.2014.	Index
Real estate, machines, equipment	13 841 560	14 474 332	104,6%
Intangible assets	977 593	964 362	98,6%
Long-term receivables	576 913	519 187	90,0%
Property for investment purposes	338 217	338 217	100,0%
Investments accounted through the capital method	205	205	100,0%
Receivables from sale of assets	198 586	198 586	100,0%
Deferred tax receivables	303 422	245 662	81,0%
Total invested assets	16 236 496	16 740 551	103,1%
Inventories	7 164 217	7 934 986	110,8%
Receivables	9 428 015	6 630 245	70,3%
Corporate tax receivables	36 639	30 418	83,0%
Liquid assets, bank account	265 011	425 284	160,5%
Total current assets	16 893 882	15 023 409	88,9%
Total ASSETS	33 130 378	31 763 960	95,9%
Share capital	12 940 238	13 043 335	100,8%
Other aggregate income	-19 313	0	0,0%
Capital reserve	83 140	73 121	87,9%
Share option reserve	86 354	97 018	112,3%
Retained earnings	985 665	755 612	23,3%
Total equity and reserves	14 076 084	13 969 086	99,2%
Long-term liabilities	5 819 436	3 910 536	67,2%
Provisions	414 356	166 365	40,2%
Total long-term liabilities	6 233 792	4 076 901	65,4%
Short term loans and credits	3 303 510	4 221 507	127,8%
Short-term liabilities	9 516 992	9 496 466	99,8%
Short-term liabilities total	12 820 502	13 717 973	107,0%
Total LIABILITIES (equity and liabilities)	33 130 378	31 763 960	95,9%

Analysis of principal balance sheet items and their changes**1. INVESTED ASSETS****1.1. Properties, machines and equipment**

The consolidated net value of properties, machines and equipment changed from the closing value of HUF 13,842 million on 31 December 2013 to HUF 14,474 million, the change was an increase of 4.6%. The depreciation of fixed assets during Q1-Q3 of 2014 was HUF 1,458 million.

1.2. Intangible assets

The net value of intangible assets changed from HUF 978 million to HUF 964 million. This represents a decline of 1.4 per cent. The amount of depreciation accounted during the period was HUF 216 million.

1.3. Long-term receivables

This balance sheet line shows other long-term loans given (HUF 5 million), as well as long-term advance payments in the amount of HUF 514 million are also shown here, as this is the consequence of the partial payment of a long-term liability upon favourable conditions, to be recorded annually in the indirect cost line. In consequence of the discharge of liabilities during the year, and the repayments of the loans, the amount of long term receivables declined by HUF 58 million during the period.

	31.12.2013.	30.09.2014.
Opening	642 079	576 913
Increase	5 750	
Repayment		
Decline	(70 916)	(57 726)
Effect of discounting		
Closing	576 913	519 187

1.4. Real estate for investment purposes

The value of real estate for investment purposes – amounting to HUF 338 million on 30 September 2014 at book value – remained unchanged.

1.5. Receivables from the sale of assets

On 30 September 2014, the present value of the receivable was HUF 199 million.

1.6. Deferred tax receivable

The amount of receivable was HUF 246 million on 30 September 2014, which is HUF 58 million less than the amount on 31 December 2013. The most substantial part of the decline of deferred taxes is the liability resulting from the release of provisions.

2. CURRENT ASSETS**2.1. Stocks**

On 30 September 2014, the closing value of stocks was HUF 7,935 million (31 December 2013: HUF 7.164 million). The change is an increase of 10.8%, due to the increase in materials and goods by HUF 166 million and in unfinished, semi-finished and finished goods by HUF 605 million.

2.2. Receivables

The closing figure of receivables as at 30 September 2014 was HUF 6,630 million, a decline by HUF 2,798 million compared to the 31 December figure (closing figure for 31 December 2013: HUF 9,428 million). Accounts receivable declined by HUF 4,041 million. Other accounts receivable increased by HUF 634 million, advances paid increased by HUF 609 million.

2.3. Liquid assets

The closing figure of liquid assets on 30 September 2014 was HUF 425 million, HUF 160 million higher than on 31 December 2013 (HUF 265 million).

3. EQUITY AND RESERVES

The change occurred as follows:

	Registered capital	Capital reserve	Share based payments reserve	Retained earnings	Other aggregate income	Total shareholders' equity
Balance as at 31 January 2013	12 921 066	85 004	165 057	-1 767 906	-19 843	11 383 378
Profit of current year				1 967 928		1 967 928
Other aggregate income					-5 801	-5 801
Balance as at 30 September 2013	12 921 066	85 004	165 057	200 022	-25 644	13 345 505
Profit of current year				700 870		700 870
Other aggregate income					6 331	6 331
Share based expenditure made in equity instrument			7 280			7 280
Deferred tax of share based expenditure made in equity instrument			-1 019			-1 019
Profit of share-based payments drawn	19 172	-1 864	-5 255	4 328		16 381
Deferred tax of share-based payments drawn			736			736
Ceaseure of share-based payments	0	0	-80 445	80 445		0
Balance as at 31 December 2013.	12 940 238	83 140	86 354	985 665	-19 313	14 076 084
Profit of current year				-253 738		-253 738
Other aggregate profit					19 313	19 313
Share-based expenditure made in capital instrument			35 375			35 375
Profit of share based payments drawn	103 097	-10 019	-28 318	23 685		88 445
Deferred tax of share based payments drawn			3 607			3 607
Balance as at 30 September 2014	13 043 335	73 121	97 018	755 612	0	13 969 086

3.1. Share capital

RÁBA Nyrt.'s share capital consists of common shares with a nominal value of HUF 1,000 each, entitling the shareholders to the dividend announced in a particular period, and providing one vote at the General Meeting of the Company. On 30 September 2014, the share capital of the company was HUF 13.043 million.

During Q1-Q3 of 2014, within the Management Share Option Incentive Programme of the Rába Group 9 people availed themselves of the draw down option and 103,097 shares were drawn down.

3.2. Other aggregate result

In accordance with the risk management strategy of the Company, the USD and EUR foreign exchange loans were repaid, thus the other aggregate result as of 30 September 2014 is HUF 0.

3.3. Capital reserve

On 30 September 2014, the capital reserve was HUF 73 million, equal to the difference between the cost and the face value of the repurchased Rába treasury shares.

3.4. Share option reserve

To foster shared interests between the shareholders of Rába and the management of the Rába Group, as well as to further increase the value of the company, in 2006 the Board of Directors of Rába launched a five-year management share option programme, entitled Management Share Option Incentive Programme for the senior and middle management of the company. The program is for the Rába shares.

The programme consists of three separate draw-down tranches, each of which is implemented separately, subject to unrelated conditions. The programme originally planned for five years was extended in 2010 until 30 June, 2014.

The conditions of the first and the second tranches were met and could thus be drawn. The conditions of opening the third tranche launched 1 January, 2012 with the approval of the general meeting of shareholders of 2010 were not fulfilled, since the weighted average price of the Rába shares during the first half of 2012 remained under two thousand forints on any twenty consecutive stock trading day.

The participants of the option programme availed themselves of the opportunity to draw down the first tranche and thus the shares of the first tranche were fully drawn before the end of the year 2011.

The general meeting of shareholders of the Company held 17 April 2014, authorised the Company to extend the term of the Management Share Option Incentive Programme expiring on 30 June, 2014, until 30 June, 2016, upon unchanged terms.

The adjustment in the value of the revalued share option programme based on the changes was HUF 35,375 thousand, based on the changes.

The amount of share based payments made in equity instrument and drawn in Q1-Q3 of 2014 was HUF 28,318 thousand, with deferred taxes of HUF 3,607 thousand.

3.5. Retained earnings

The retained earnings (HUF 756 million) declined by HUF 230 million (amount of annual net profit plus the amount of drawn share based payments) compared to the closing balance of the previous year (HUF 986 million).

4. LONG-TERM LIABILITIES

4.1 Long-term liabilities

Long-term liabilities contain the amount of long-term loans and credits. The closing value of long-term liabilities as at 30 September 2014 amounted to HUF 3,911million, which was 32.8 per cent lower than the opening balance of the period (on 31 December 2013, the closing figure was HUF 5.819 million).

4.2. Provisions

The closing value of provisions as at 30 September 2014 was HUF 166 million, which is HUF 248 million (59.8%) lower than the closing value for last year. The majority of the change is due to the release of provisions set aside for guarantee claims and expected costs and layoffs.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 4,222 million) increased by 27.8 per cent compared to the closing value at the end of December 2013 (HUF 3,304 million). Thus the net borrowing of the Rába group on 30 September 2014 declined to HUF 7,707 million, which is a 13 per cent decline compared to the level as at 31 December 2013.

5.2. Short-term liabilities

The total short-term liabilities on 30 September 2014 amounted to HUF 9,496 million, which is hardly a change compared to the closing value (HUF 9,517 million) as at December 2013. Accounts payable declined by HUF 613 million, other liabilities increased by HUF 593 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR Q1-Q3 OF 2014.

Figures in thousand HUF

	<u>Q1-Q3 2013.</u>	<u>Q1-Q3 2014.</u>
<u>Cash flows of operating activities</u>		
Profit before taxation	2 449 348	9 446
<i>Adjustment items related to items with no cash movement:</i>		
Interest income/expenditure	26 245	24 479
Depreciation and amortisation	1 653 322	1 673 781
Impairment of properties, machinery and equipment	37 391	9 763
Impairment of bad and doubtful receivables and of long term receivables	-109 077	3 027
Impairment of stocks kept at net realisable value	97 579	85 904
Inventory reject	94 418	27 783
Provisions	1 676	-247 991
Share based payments made in equity instruments	0	24 328
Change in real value of derivative financial assets and liabilities	0	-2 476
Result of sale, write-off and in-kind contribution of real assets, machinery and fixtures and intangible assets	-249 680	-7 850
Proceeds from sale of investments accounted through the equity method	-523 530	0
Revaluation of loans and credits at end of period	143 233	318 852
<i>Changes in working capital:</i>		
Changes in trade and other receivables	1 596 235	2 791 696
Changes in stocks	-365 992	-884 456
Changes in accounts payable and other liabilities	328 745	-698 072
Profit tax paid	-206 151	-231 987
Interests paid	-190 540	-137 785
Net cash flows from operating activity	4 783 222	2 758 442
Cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-1 796 551	-1 426 357
Revenues from the sale of real estate, machinery and fixtures	523 530	0
Proceeds from the sale of investments accounted through the equity method	278 075	8 447
Interests received, dividend	10 156	3 408
Net cash flows used for investment activities	-984 790	-1 414 502
Cash flows from financing activities		
Revenues from sale (purchase) of treasury shares	0	103 097
Borrowing	9 982 285	3 784 558
Repayment of loans and credits	-13 676 328	-5 071 322
Net cash flows from financing activities	-3 694 043	-1 183 667
Net increase/decrease of cash and cash equivalents	104 389	160 273

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

*FX forward deal to hedge the exchange rate risk of export sales: sale of EUR 1 million in exchange for HUF, as an open transaction.

The bank loans of the Rába Group amount to HUF 8,074 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 8,074 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 817 million.

RS1. Ownership structure, ratio of participation

Description of ownership	Total equity						Series listed ¹			
	At beginning of current year (1st January)			At end of term (30 September)			At beginning of term		At end of term	
	% ²	% ³	Pcs ²	% ³	% ²	% ³	%	Pcs	%	Pcs
Domestic institutional/corporate	2,80	2,92	377 747	3,67	3,79	494 536				
Foreign institutional/corporate	0,68	0,70	91 067	1,34	1,38	180 542				
Foreign private individual	0,27	0,28	36 344	0,24	0,25	32 989				
Domestic private individual	18,49	19,25	2 491 355	17,70	18,29	2 385 170				
Employees, managing executives	0,15	0,16	20 406	0,14	0,14	18 738				
Treasury shares	3,93		528 988	3,22		433 932				
Shareholder forming part of general government ⁴	73,68	76,69	9 927 539	73,68	76,13	9 927 539				
International Development Institutions ⁵	0,00	0,00	0	0,00	0,00	0				
Other	0,00	0,00	0	0,00	0,00	0				
TOTAL	100,00	100,00	13 473 446	100,00	100,00	13 473 446				

¹If the series listed equals the total equity, it need not be filled in if so indicated. If more than one series are listed on the Stock Exchange, the ownership structure should be specified for each series.

² Ownership ratio

³ Voting right ensuring participation during the decision making process at the issuing general meeting of shareholders. If the ownership ratio and the voting right are the same, only the column regarding the ownership ratio needs to be filled in/published while stating such fact!

⁴ E.g.: ÁPV Rt., Social Security, Local Government, 100% state-owned companies, etc.

⁵ E.g.: EBRD, EIB, etc.

RS3. List and introduction of shareholders with a stake exceeding 5% (as at 30.09.2014)

Name	Nationality ¹	Activity ²	Quantity (pcs)	Ownership stake (%) ³	Voting right (%) ^{3,4}	Comment ⁵
Hungarian State Holding Company Ltd. (MNV Zrt)	D	G	9 925 829	73,67	76,12	

¹ Domestic (D), Foreign (F)

² Asset manager(A). General government (G). International Development Institution (IFI). Institutional(I). Business entity (B) Private (P). Employee. Managing executive (E)

³ Should be rounded to two decimal figures

⁴ Voting right ensuring participation during the decision making process at the general meeting of shareholders of the issuer.

⁵ E.g.: strategic investor, financial investor, etc.

RS2. Changes in the number of treasury shares during the current year (No. of pcs)

All of the shares repurchased are directly owned by the parent company

	1 January	31 March	30 June	30 September
At corporate level	528 988	460 846	433 932	425 891
Subsidiaries				
Total	528 988	460 846	433 932	425 891

TSZ1. Headcount of full-time employees (No. of people)

	End of Previous Year	Beginning of Current Year	End of current period
Company level	17	18	17
Group level	2030	1990	1785

The consolidated closing headcount as at 30 September 2014 was 1,785, which represented a decline in headcount by 12.1 per cent compared to the end of the base period.

TSZ2. Managing executives, strategic employees

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
BD	István Pintér	Chairman of the BD	2005		7 082
BD	Alan Spencer	Board member	2006		0
BD	Dr. Zoltán Borbíró	Board member	2012	2013	n.a.
BD	Dr. Tibor Zoltán Hajdú	Board member	2012		0
BD	József Steigler	Board member	2013		0
BD	Dr. Péter Székács	Board member	2012		0
BD	György Wáberer	Board member	2012		0
SB	Dr. Csaba Polacsek	Chairman of the SB	2012		0
SB	Tamás Berencsi	SB member	2013		0
SB	Dr. Mirjána Markovics	SB member	2012	2013	n.a.
SB	Dr. János Kerégyártó	SB member	2012		0
SP	István Pintér	Chief Executive Officer	2003	Definite	7 082
SP	Béla Balog	Deputy CEO	2004	Indefinite	3 332
SP	Ferenc Vissi	HR Director	2001	2013	n.a.
SP	Ádám Steszli	HR and controlling director	2014	indefinite	1664
SP	József Szabó	Purchasing and Asset Mgmt. Director	2001	2013	n.a.
SP	Ákos Farkas	Purchasing and Asset Mgmt. Director	2013		1 664
SP	István Pintér	Managing Director	2004	Indefinite	7 082
SP	László Urbányi	Managing Director	2005	Indefinite	3 332
SP	János Torma	Managing Director	2005	Indefinite	1 664
Total number of shares owned (pcs):					18 738

¹ Employee in strategic position (SP), Member of the Board of Directors (BD), Member of the Supervisory Board (SB), Member of the Board (ITT)

RÁBA PLC. (INDIVIDUAL) BALANCE SHEET (HAS)

Data in HUF thousand

No	Description of item	31.12.2013	30.09.2013	Index
A.	Invested assets	16 313 978	16 289 129	99.85%
I.	Intangible assets	26 891	19 654	73.09%
II.	Fixed assets	5 969 648	5 952 036	99.70%
III.	Financial assets invested	10 317 439	10 317 439	100.00%
B.	Current assets	3 526 083	4 058 742	115.11%
I.	Stocks	351 435	351 715	100.08%
II.	Receivables	2 533 377	3 161 610	124.80%
III.	Securities	472 303	380 254	80.51%
IV.	Liquid assets	168 968	165 163	97.75%
C.	Active accruals	22 027	63 018	286.09%
	TOTAL ASSETS	19 862 088	20 410 889	102.76%
D.	Shareholders' equity	15 333 627	15 093 534	98.43%
I.	Registered capital	13 473 446	13 473 446	100.00%
	Of which: ownership stake repurchased at face value	528 988	425 891	80.51%
III.	Capital reserve	127 654	127 654	100.00%
IV.	Retained earnings	889 313	1 352 273	152.06%
V.	Fixed reserves	472 303	380 254	80.51%
VII.	Net profit	370 911	-240 093	-164.73%
E.	Provisions	91 019	58 187	63.93%
F.	Liabilities	4 351 614	5 127 191	117.82%
III.	Short-term liabilities	4 351 614	5 127 191	117.82%
G.	Passive accruals	85 828	131 977	153.77%
	TOTAL LIABILITIES	19 862 088	20 410 889	102.76%

RÁBA PLC. (INDIVIDUAL) PROFIT AND LOSS STATEMENT (HAS)

Data in thousand HUF

No	Description of item	Q1-Q3, 2013.	Q1-Q3, 2014	Index
I.	Net sales revenue	919 977	888 944	96.63%
II.	Direct costs of sales	162 113	168 443	103.90%
III.	Gross sales revenue	757 864	720 501	95.07%
IV.	Indirect sales costs	770 336	774 899	100.59%
V.	Other revenues	261 884	33 100	12.64%
VI.	Other expenditures	181 842	127 822	70.29%
A.	OPERATING PROFIT	67 570	-149 120	220.69%
VIII.	Revenues from financial transactions	498 857	92 912	18.62%
IX.	Expenditures of financial transactions	181 507	180 687	99.55%
B.	Profit of financial transactions	317 350	-87 775	-127.66%
C.	ORDINARY BUSINESS PROFIT	384 920	-236 895	-161.54%
D.	EXTRAORDINARY PROFIT	-801	-3 198	-399.25%
E.	PROFIT BEFORE TAXATION	384 119	-240 093	-162.50%
XII.	TAX LIABILITY	2 069	0	
F.	AFTER-TAX PROFIT	382 050	-240 093	-162.84%
G.	NET PROFIT	382 050	-240 093	-162.84%

PK1. General information pertaining to the financial data

	Yes	No		
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Accounting principles	Hungarian <input type="checkbox"/>		IFRS <input checked="" type="checkbox"/>	Other <input type="checkbox"/>
Other:				

Declaration of liability

We, the undersigned, authorised signatories of the Company, hereby declare that the data and statements contained in the quarterly report are true and accurate. The report reflects the true and fair value of the Company's assets, liabilities, financial position, profit and loss, the situation, development and performance of the business and also describes the main risks and factors of uncertainty. The Company does not conceal any fact that is important for assessing its financial and economic position.

In the context of the quarterly report, Rába Nyrt wishes to emphasize the following:

- The figures shown in the report are unaudited but have been compiled from the available data relying on the best efforts of the management.
- Rába has prepared its quarterly report in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard (interim financial statement).

Győr, 13 November, 2014.

István Pintér
Chairman-CEO

Béla Balog
CFO